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FIRST GENERAL COUNSEL'S REPORT

MUR: 6903
DATE COMPLAINT FILED: November 6, 2014
DATE OF NOTIFICATION: November 13, 2014
LAST RESPONSE RECEIVED: November 18, 2014
DATE OF ACTIVATION: May 13, 2015

ELECTION CYCLE: 2014
EXPIRATION OF SOL: Earliest: April 2019
Latest: July 2020

COMPLAINANT: Robert Slider, Virtual Impact Productions, Inc.

RESPONDENT: Henry Lawrence for Congress LLC and Curtis S.
Root in his official capacity as Treasurer

**RELEVANT STATUTES
AND REGULATIONS:** 52 U.S.C. § 30101¹
52 U.S.C. § 30104(a), (b)
11 C.F.R. § 100.111
11 C.F.R. § 104.3
11 C.F.R. § 104.11
11 C.F.R. § 116.1(d)
11 C.F.R. § 116.10(a)

INTERNAL REPORTS CHECKED: Disclosure Reports

FEDERAL AGENCIES CHECKED: None

¹ On September 1, 2014, the Federal Election Campaign Act of 1971, as amended, (the "Act") was transferred from Title 2 to new Title 52 of the United States Code.

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I. INTRODUCTION

The Complaint in this matter alleges that Henry Lawrence for Congress and Curtis S. Root in his official capacity as treasurer (the "Committee") failed to report specific receipts, disbursements, and debt that the Committee received, made, and incurred before April 1, 2014. Complainant, Robert Slider, was the Committee's Assistant Treasurer from January 24, 2014, until April 1, 2014, and he is the President of Virtual Impact Productions, Inc. ("VIP"), which claims the Committee owes it \$106,108. The Committee, which did not file a 2014 April Quarterly Report, generally states that it included all contributions and disbursements in its reports to the Commission, but it does not address Complainant's allegations as to specific contributions and disbursements allegedly received and made before April 1, 2014. The Committee acknowledges receiving VIP's invoices, but contends that it never hired VIP to perform any services and has never owed VIP any money.

Because the Complaint presents specific, largely unrebutted information about contributions, disbursements, and debt the Committee either reported months late, or not at all, we recommend that the Commission find reason to believe that Henry Lawrence for Congress and Curtis S. Root in his official capacity as treasurer violated 52 U.S.C. § 30104(b) by failing to properly report receipts, disbursements, and debt, and by failing to continuously report campaign debt. We further recommend that the Commission open an investigation to determine the full amount of unreported receipts, disbursements, and debt. In addition, Complainant's information suggests that the Committee should have filed an April 2014 Quarterly report, but did not, so we recommend the Commission find reason to believe the Committee violated 52 U.S.C. § 30104(a).

1 **II. FACTUAL AND LEGAL ANALYSIS**

2 **A. Facts**

3 Henry Lawrence was a Democratic candidate for Florida's 16th Congressional district
4 during the 2014 primary and general elections.² The Committee filed its original Statement of
5 Organization on January 24, 2014, which listed Slider as Assistant Treasurer and Designated
6 Agent. On April 1, 2014, the Committee filed an Amended Statement of Organization naming
7 the current Treasurer and a new Assistant Treasurer.³

8 **1. Receipts and Disbursements Made Before April 1, 2014**

9 The Committee's 2014 July Quarterly Report was the Committee's first disclosure report
10 filed with the Commission. Neither the Committee's 2014 July Quarterly Report nor any of its
11 subsequent reports disclosed receipts or disbursements received or made before April 1, 2014.⁴

12 The Complaint, filed by former Assistant Treasurer Slider, alleges that the Committee
13 failed to report contributions received or disbursements made before April 1, 2014. Spreadsheets
14 attached to the Complaint list 22 contributions the Committee allegedly received before April 1,
15 2014, totaling \$3,075 (\$2,100 of which should have been itemized because the five individual
16 contributions comprising the \$2,100 were in amounts greater than \$200, and \$975 of which did
17 not need to be itemized because they were in amounts of \$200 or less). *See Compl., Attach.*
18 *Henry Lawrence for Congress Campaign Donations 2014 ("Campaign Donations").* The

² Lawrence won the Democratic primary election but lost the general election.

³ On March 24, 2014, the Committee filed two Form 99s (Miscellaneous Reports) reflecting Slider's
resignation as Assistant Treasurer and Michelle Robinson's resignation as Treasurer (information on one of the
Form 99s suggests that Robinson is also affiliated with VIP, as her forwarding email address is associated with
VIP).

⁴ *See* 2014 July Quarterly Report (July 14, 2014); Pre-Primary Report (Sep. 16, 2014), 2014 October
Quarterly Report (Oct. 20, 2014), 2014 Pre-General Report (Oct. 20, 2014), 2014 Post-General Report (Dec. 1,
2014), 2014 Year End Report (Jan. 30, 2015). The Committee did not file its April or July 2015 Quarterly reports.
The Reports Analysis Division issued two Requests for Additional Information to the Committee regarding those
two reports, but the Committee has not yet responded.

Complaint also lists disbursements totaling approximately \$12,640 that the Committee allegedly paid before April 1, 2014. *Id.*, Attach. *Henry Lawrence for Congress, LLC Profit and Loss Detail* ("Profit and Loss Detail").

In its 2014 Pre-Primary Report, the Committee disclosed five contributions totaling \$2,100 from the same donors and in the same amounts shown in the Complaint's attachments, and listed July 1, 2014, as the date the Committee received all five.⁵ See Table A below.

Table A – Committee Contributions Referenced in the Complaint Exceeding \$200.

| Contributor | Amount | Complaint – Alleged Date of Receipt | 2014 Pre-Primary Report – Disclosed Date of Receipt |
|-------------------|---------|-------------------------------------|---|
| Mr. Bradenton | \$1,000 | 1/10/14 | 7/1/14 |
| Martin Rafferty | \$300 | 2/18/14 | 7/1/14 |
| Clint Gharib | \$250 | 2/20/14 | 7/1/14 |
| W. Stuart Gregory | \$300 | 2/25/14 | 7/1/14 |
| Richard Anderson | \$250 | 3/4/14 | 7/1/14 |

Similarly, in the 2014 Pre-Primary Report, the Committee disclosed six disbursements in the same amounts referenced in the Complaint's attachments, and listed July 1, 2014, as the payment dates for these disbursements. These six account for \$11,409.63 of the \$12,639.94 in disbursements that the Complaint alleges the Committee made before April 1, 2014. Compl., Attach. *Profit and Loss Detail*. See Table B below.

⁵ These five contributions were the only itemized individual contributions reported in the 2014 Pre-Primary Report. The Committee also disclosed unitemized individual contributions of \$1,751 in that same report.

Table B – Committee Operating Expenses Referenced in the Complaint.

| Payee | Expenditure Amount | Complaint – Alleged Date of Payment | 2014 Pre-Primary Report – Disclosed Date of Payment |
|---------------------------|-----------------------|-------------------------------------|---|
| American Jewish Committee | \$250 | 3/12/14 | 7/1/14 |
| Cartier Winning Images | \$10,000 | 1/10/14 | 7/1/14 |
| Mars Vision Productions | \$216 | 2/18/14 | 7/1/14 |
| Nationbuilder | \$542 | 2/25/14 | 7/1/14 |
| Quad Systems, Inc. | \$151.63 ⁶ | 3/5/14 | 7/1/14 |
| Sarasota Democratic Party | \$250 | 2/23/14 | 7/1/14 |

While the Committee claims to have properly reported all of its receipts and disbursements, it does not address the specific items identified in the Complaint or offer any explanation for the purported discrepancy between the earlier dates alleged in the Complaint and the later dates reported by the Committee. At this point, it is unclear whether the receipts and disbursements itemized in the Complaint represent all of the Committee's potentially improperly reported transactions or are a subset of the transactions that may not have been properly disclosed.

2. Debt Purportedly Incurred Before April 1, 2014

The Complaint also alleges that the Committee failed to report debt owed to VIP. Compl. at 1-2. Specifically, the Complaint alleges that the Committee hired Slider and VIP as early as November 2013 to provide various services to the campaign including: building the campaign website, setting up e-commerce capabilities for the campaign to receive online contributions, setting up and maintaining all social media sites, photography, and commercial video productions. *Id.* at 1. The Complaint attaches three VIP invoices totaling \$106,108 for

⁶ The Committee disclosed payment of \$369 to Quad Systems, Inc. on July 1, 2014, but the Complaint alleges a payment of \$151.63 to that vendor on March 5, 2014. It is unclear whether the Committee's disclosed payment incorporates the \$151.63 that the Complaint alleges was paid to Quad Systems, Inc. on March 5, 2014, or is a different disbursement.

1 services rendered and billed to the Committee.⁷ The Complaint asserts that VIP delivered the
2 invoices to the Committee, but the Committee did not respond to them or pay them. *Id.* at 1.

3 The Committee states that it never hired Slider or VIP for any purpose on behalf of the
4 campaign. *Resp.* at 1. The Committee contends that Slider is Lawrence's former business
5 associate, and he participated in early meetings with Lawrence when he was deciding whether to
6 run for Congress, but in early April 2014, Lawrence ended his relationships with Slider. *Id.* The
7 Committee acknowledges receiving the invoices, but generally contends that most of the
8 documents attached to the Complaint relate to Lawrence's personal financial transactions, not his
9 campaign, and are therefore not subject to the Act's reporting requirements. *Id.* at 2.

10 **B. Analysis**

11 **1. The Information Indicates that the Committee Failed to Properly Report**
12 **Receipts and Disbursements**

13 The Act requires a candidate's authorized committee to disclose all receipts and
14 disbursements, including all contributions and expenditures. 52 U.S.C. § 30104(a), (b). The Act
15 defines a "contribution" as "any gift, subscription, loan, advance, or deposit of money or
16 anything of value made by any persons for the purpose of influencing any election for Federal
17 Office." 52 U.S.C. § 30101(8)(A)(i). An "expenditure" is defined as "any purchase, payment,
18 distribution, loan, advance, deposit, or gift of money or anything of value made by any person
19 for the purpose of influencing any election for Federal office." 52 U.S.C. §§ 30101(9)(A)(i);
20 11 C.F.R. § 100.111. An individual becomes a "candidate" for Federal office when his or her
21 campaign either receives or makes \$5,000 in contributions or expenditures.
22

⁷ See invoice #13-1053 dated March 3, 2014 is for "Professional Business Consulting" from September 2013-December 2013, and invoices #13-1054 for "Campaign Production" and #13-1055 for "Professional Business Consulting (Monthly)/Campaign Manager for HLFC," both of which are dated March 27, 2014. *Id.*, Attachs.

52 U.S.C. § 30101(2). Once an individual becomes a candidate for the House of Representatives, his or her principal campaign committee must file quarterly reports. 11 C.F.R. § 104.5(a). That first report must include the actual dates and amounts of all receipts and disbursements made before the filing of the report, even if they did not occur during the reporting period covered by the report. 11 C.F.R. §§ 100.5, 104.3(a), (b).

As part of this obligation, the authorized committee must identify any person who makes a contribution to the committee that exceeds \$200 or aggregates to over \$200 within the election cycle, or any lesser amount if the committee elects, together with the date and amount of the contribution. 52 U.S.C. § 30104(b)(3). The Act also requires an authorized committee to itemize all disbursements, including operating expenditures, that exceed \$200 or aggregate to over \$200 when added to other disbursements in the same category and made to the same payee during the election cycle, and include the date, amount, and purpose of the operating expenditure. 52 U.S.C. § 30104(b)(4)-(5); 11 C.F.R. § 104.3(b)(4)(i), (vi).

The available information indicates there is reason to believe that the Committee failed to file complete and accurate disclosures of its pre-April 1, 2014, receipts and disbursements. It also appears that some of the receipts and disbursements that the Committee disclosed in its 2014 Pre-Primary Report may have occurred before April 1, 2014, but were inaccurately reported as occurring on July 1, 2014. The Complainant is the Committee's former Assistant Treasurer and was in a position to know when the Committee received the contributions and made the payments in question, and he provided specific information regarding the Committee's allegedly incomplete and inaccurate disclosures. The Response does not specifically address these transactions, even though they are itemized in the Complaint, but simply states that the Committee reported all of its receipts and disbursements and maintained accurate records of its

1 transactions. Given the Complaint's specificity, the Response's vague denial, and the seeming
2 unlikelihood that every challenged transaction happened on July 1, 2014, there is sufficient
3 information to reasonably infer that the Committee's reports are inaccurate. Moreover, based on
4 information in the Complaint, it appears the Committee had aggregated more than \$5,000 in
5 receipts and disbursements before April 1, 2014. While we do not know the full amount of the
6 Committee's pre-April 1 receipts and disbursements, there is sufficient information to make a
7 reasonable inference that the Committee should have filed a 2014 April Quarterly Report.
8 However, the Committee's first disclosure report was its 2014 July Quarterly Report.

9 **2. There is Reason to Believe that the Committee Failed to Report Disputed**
10 **Debt**

11
12 The Act requires candidates and their committees to disclose the amount and nature of
13 any outstanding debts and obligations owed by or to the reporting committee. 52 U.S.C.
14 § 30104(b)(8), 11 C.F.R. §§ 104.3(d), 104.11. This obligation extends to any "disputed debt,"
15 which is "an actual or potential debt or obligation owed by a political committee, including an
16 obligation arising from a written contract, promise or agreement to make an expenditure, where
17 there is a bona fide disagreement between the creditor and the political committee as to the
18 existence or amount of the obligation owed by the political committee." 11 C.F.R. § 116.1(d).
19 A political committee is obligated to report the disputed debt if the creditor has provided
20 "something of value" to the political committee. 11 C.F.R. § 116.10(a). Until the dispute is
21 resolved, the political committee must disclose any amounts paid to the creditor, any amount the
22 political committee admits it owes, and the amount the creditor claims is owed. *Id.*; 11 C.F.R.
23 § 104.11; MUR 6714 (Jill Stein For President) Factual and Legal Analysis at 4 (reaffirming
24 requirement to report disputed debts, but dismissing case based on relatively small amount at
25 issue); *see also* MUR 5344 (Santorum 2000); MUR 4621 (Cook 98 Re-election Committee);

Advisory Op. 1999-38 (Calvert).

The Committee was required to disclose its "actual or potential" debt obligation to VIP in its reports, but did not do so. Even though the Committee disputes that it contracted with VIP to provide services for the campaign, it should have reported the nature and amounts of VIP's disputed claim, and was required to keep reporting the disputed debt until resolved. 11 C.F.R. §§ 104.11, 116.10(a). The Act allows committees to indicate that a debt is disputed or explain the extenuating circumstances surrounding a debt. 11 C.F.R. § 116.10(a). However, the Committee's obligation to disclose the debt and continue reporting it is clear. *Id.*; MUR 6714 (Stein for President). Here, by failing to disclose the disputed debt to VIP, both initially and continuously, the Committee failed to meet its reporting obligations.

Accordingly, we recommend that the Commission find reason to believe that Henry Lawrence for Congress and Curtis S. Root in his official capacity as treasurer violated 52 U.S.C. § 30104(b) by failing to properly disclose receipts, disbursements, and debt received, made and incurred before April 1, 2014, and open an investigation of the unreported activity. We further recommend that the Commission find reason to believe Lawrence for Congress and Curtis S. Root in his official capacity as treasurer violated 52 U.S.C. § 30104(a) by failing to file a 2014 April Quarterly Report.

III. PROPOSED INVESTIGATION

We propose an investigation to obtain sufficient information about the Committee's pre-April 1, 2014, receipts, disbursements, and debt that should have been disclosed to the Commission. This will allow the Commission to determine the scope of the violation and recommend an appropriate civil penalty. We anticipate proceeding informally with the

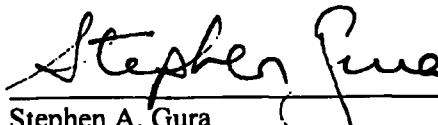
Committee, but recommend that the Commission authorize the use of compulsory process, as necessary.


IV. RECOMMENDATIONS

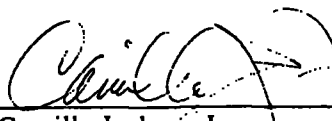
- (1) Find reason to believe that Henry Lawrence for Congress and Curtis S. Root in his official capacity as Treasurer violated 52 U.S.C. § 30104(b) by failing to properly disclose receipts, disbursements, and debt;
- (2) Find reason to believe that Henry Lawrence for Congress and Curtis S. Root in his official capacity as Treasurer violated 52 U.S.C. § 30104(a) by failing to file a 2014 April Quarterly Report;
- (3) Approve the attached Factual and Legal Analysis;
- (4) Authorize the use of compulsory process, as necessary; and
- (5) Approve the appropriate letter.

8.10.15

Date


Stephen A. Gura
Deputy Associate General Counsel
For Enforcement


Mark Shonkwiler
Assistant General Counsel


Camilla Jackson Jones
Attorney